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HOUSE JOINT RESOLUTION 82
By Bowers

A RESOLUTION to request the United States Congress and the Honorable George W. Bush, President of the United States, to institute economic incentives, including a short-term economic growth package, to assist several states in recovering from the recent economic downturn.

WHEREAS, President George W. Bush and several members of Congress have introduced proposals for revitalizing the nation's economy that embrace a vast range of federal tax changes and investment incentives; and

WHEREAS, for such revitalizing measures to be effective, it is essential for federal policymakers to recognize and take into account the critical link between states' economies and the national economy; and

WHEREAS, without recognition of that link between the states and the national economy, the actions that states must take to balance their budgets may work against a broad and sustained economic recovery; a short-term economic growth package that narrows the widening gap between federal mandates and expectations and levels of funding for those mandates would improve the chances for an effective economic recovery. Federal policies that encourage job growth and retention, spur investment, and provide temporary relief for carrying out various state-federal partnerships would also speed recovery; and

WHEREAS, lacking the ability of the federal government to deficit finance during an economic downturn, states, in order to meet balanced budget requirements when revenues decline, must raise taxes and/or cut spending by deferring projects and reducing or eliminating services; and

WHEREAS, in 2003, fourteen states faced a gap in excess of ten percent of their general fund budget, and every state enacted spending cuts and/or tax increases to balance their budgets for FY 2003; the outlook for FY 2004 is just as bleak, or worse; and

WHEREAS, the probable results of state budget balancing actions include state tax increases that will offset the stimulus provided by federal tax reductions, state layoffs, and cancellation of capital projects that will hinder economic growth, and state cuts in public services that may counteract federal efforts to provide assistance to the unemployed and those most affected by an economic downturn. The potential for negative economic effects are highlighted by the comparison of the federal government's 2.7 million civilian employees and 1.7 million active duty military forces against state governments' 5 million and local governments' 11.2 million employees; and

WHEREAS, state and local investment in structures, equipment, and software, at 236.2 billion dollars, is more than twice that of the federal government's investment, at 99.7 billion dollars; state and local consumption, a measure of public purchases of durable and non-durable goods and services, at 993.7 billion dollars, far exceeds federal consumption at 528.5 billion dollars; and

WHEREAS, the U.S. Congress and the President can take positive action to remedy the negative effects of state cutbacks on the economy by ensuring that the state-federal partnership avoids unfunded mandates and underfunded national expectations; specific actions might include meeting the target for full funding of the Individuals With Disabilities Education Act, providing the full funding for states to meet current and prospective requirements for the No Child Left Behind Act, meeting the full FY 2003 federal commitment to the Help America Vote Act, and providing first-responder grants at the President's recommended level of $3.5 billion for FY 2003; and

WHEREAS, the U.S. Congress should adopt tax strategies to spur, not constrain, state investment, including pursuit of federal personal and corporate income tax relief through tax credits, such as accelerating the scheduled increase in child tax credit, and other changes in federal tax liability, rather than through exclusions and deductions; avoiding substantive changes in federal reporting, such as through IRS Form 1099 for dividends; providing relief for states from the employer share of payroll taxes; maintaining a level playing field for tax-exempt bonds and lift administrative burdens that inflate the cost of public financing; and recognizing that state legislative sessions are short, which prevents states that are not in session from conforming to, or decoupling from, federal tax changes that take effect retroactively; and

WHEREAS, the federal government should invest in capital projects that leverage state and private investment, including boosting federal investments in highways, mass transit, and passenger rail, and providing additional immediate investment in water and wastewater infrastructure projects; and

WHEREAS, the Congress and the President could provide immediate, temporary relief for the states by delaying implementation dates, providing temporary waivers or reductions of state matching rates, and/or suspending program sanctions or permitting states to pursue corrective compliance plans; preventing the scheduled reduction in disproportionate share hospital (DSH) payments, extending the inflationary increase adjuster to FY 2003 - FY 2005, and increasing the DSH cap by three percent for "low" DSH states; preventing unspent funds for the State Children's Health Insurance Program from reverting to the federal treasury; and infusing $3.6 billion in general revenue into the existing Temporary Extension of the Unemployment Compensation system; and

WHEREAS, additional temporary relief could be given to the states by assisting unemployed workers who are seeking employment and encouraging job retention through an increase in mandatory funds for the Child Care and Development Block Grant, with a temporary match waiver; by supplementing existing block grants, such as the SSBG or NEGs, for FY 2003 and 2004; by holding harmless the states confronted with FMAP reductions for FY 2003 and FY 2004; by providing a temporary, unconditional boost of FMAP for FY 2003 and FY 2004; and by considering revenue sharing with a trigger mechanism to determine assistance such as unemployment or average income; now, therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE ONE HUNDRED THIRD GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE SENATE CONCURRING, That this General Assembly requests that the Honorable George W. Bush, President of the United States, and the United States Congress, when implementing measures to revitalize the national economy, recognize the critical link between the states and the national economy and seriously consider the implementation of the recommendations listed within this resolution.

BE IT FURTHER RESOLVED, That appropriate copies of this resolution be sent to the Honorable George W. Bush, President of the United States, each member of the U.S. Congressional Delegation from Tennessee, the Speaker and Clerk of the U.S. House of Representatives, the President and Secretary of the U.S. Senate, and each member of the U.S. Congress.